

**REPORT OF THE AUDIT OF THE  
TAYLOR COUNTY  
SHERIFF'S SETTLEMENT - 2006 TAXES**

**For The Period  
April 29, 2006 Through April 30, 2007**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE 502.573.0050  
FACSIMILE 502.573.0067**



**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**TAYLOR COUNTY**  
**SHERIFF'S SETTLEMENT - 2006 TAXES**

**For The Period**  
**April 29, 2006 Through April 30, 2007**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2006 Taxes for the Taylor County Sheriff for the period April 29, 2006 through April 30, 2007. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$6,481,679 for the districts for 2006 taxes, retaining commissions of \$269,536 to operate the Sheriff's office. The Sheriff distributed taxes of \$6,207,921 to the districts for 2006 taxes. Taxes of \$197 are due to the districts from the Sheriff.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
SHERIFF'S SETTLEMENT - 2006 TAXES .....	3
NOTES TO FINANCIAL STATEMENT .....	5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	9





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steve Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Eddie Rogers, Taylor County Judge/Executive  
Honorable John Shipp, Taylor County Sheriff  
Members of the Taylor County Fiscal Court

Independent Auditor's Report

We have audited the Taylor County Sheriff's Settlement - 2006 Taxes for the period April 29, 2006 through April 30, 2007. This tax settlement is the responsibility of the Taylor County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Taylor County Sheriff's taxes charged, credited, and paid for the period April 29, 2006 through April 30, 2007, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2007 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to



To the People of Kentucky  
Honorable Steve Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Eddie Rogers, Taylor County Judge/Executive  
Honorable John Shipp, Taylor County Sheriff  
Members of the Taylor County Fiscal Court

provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

August 21, 2007



TAYLOR COUNTY  
JOHN SHIPP, SHERIFF  
SHERIFF'S SETTLEMENT - 2006 TAXES

For The Period April 29, 2006 Through April 30, 2007

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 572,306	\$ 1,313,885	\$ 2,321,931	\$ 1,031,762
Tangible Personal Property	112,658	357,342	127,827	375,178
Fire Protection	1,043			
Increases Through Exonerations	406	894	1,731	923
Franchise Taxes	68,006	132,133	209,924	
Limestone, Sand and Mineral Reserves	32	73	191	58
Penalties	4,407	9,885	18,258	8,606
Adjusted to Sheriff's Receipt	<u>(158)</u>	<u>(384)</u>	<u>(296)</u>	<u>(403)</u>
Gross Chargeable to Sheriff	<u>758,700</u>	<u>1,813,828</u>	<u>2,679,566</u>	<u>1,416,124</u>
<u>Credits</u>				
Exonerations	2,870	6,417	11,790	5,116
Discounts	9,855	24,681	33,646	20,486
Delinquents:				
Real Estate	4,357	9,992	17,217	7,846
Tangible Personal Property	274	502	360	1,054
Franchise Taxes	<u>6,200</u>	<u>11,515</u>	<u>12,361</u>	
Total Credits	<u>23,556</u>	<u>53,107</u>	<u>75,374</u>	<u>34,502</u>
Taxes Collected	735,144	1,760,721	2,604,192	1,381,622
Less: Commissions *	<u>31,531</u>	<u>74,831</u>	<u>104,168</u>	<u>59,006</u>
Taxes Due	703,613	1,685,890	2,500,024	1,322,616
Taxes Paid	703,105	1,684,975	2,497,984	1,321,857
Penalty				8
Refunds (Current and Prior Year)	<u>407</u>	<u>893</u>	<u>1,983</u>	<u>750</u>
Due Districts		**		
as of Completion of Fieldwork	<u>\$ 101</u>	<u>\$ 22</u>	<u>\$ 57</u>	<u>\$ 17</u>

\* and \*\* See Next Page

The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY  
JOHN SHIPP, SHERIFF  
SHERIFF'S SETTLEMENT – 2006 TAXES  
For The Period April 29, 2006 Through April 30, 2007  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	3,867,487
4% on	\$	2,604,192

\*\* Special Taxing Districts:

Library District	\$	5
Health District		5
Extension District		2
Hospital		<u>10</u>
Taxes Due Districts	\$	<u><u>22</u></u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENT

April 30, 2007

## Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

## Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 30, 2007  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2007. Property taxes were billed to finance governmental services for the year ended June 30, 2007. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 11, 2006 through April 30, 2007.

Note 4. Interest Income

The Taylor County Sheriff earned \$16,850 as interest income on 2006 taxes. As of August 21, 2007, the Sheriff owed \$1,984 in interest to the school district and \$1,942 is due from his fee account to the tax account.

Note 5. Sheriff's 10% Add-On Fee

The Taylor County Sheriff collected \$33,550 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office. As of August 21, 2007, the Sheriff owed \$79 in 10% add-on fees to his tax account from his fee account.

Note 6. Advertising Costs And Fees

The Taylor County Sheriff collected \$1,470 of advertising costs and \$3,250 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees were used to operate the Sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Eddie Rogers, Taylor County Judge/Executive  
Honorable John Shipp, Taylor County Sheriff  
Members of the Taylor County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Taylor County Sheriff's Settlement - 2006 Taxes for the period April 29, 2006 through April 30, 2007, and have issued our report thereon dated August 21, 2007. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Taylor County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Taylor County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Taylor County Sheriff's Settlement - 2006 Taxes for the period of April 29, 2006 through April 30, 2007 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Taylor County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized flourish at the end.

Crit Luallen  
Auditor of Public Accounts

August 21, 2007



